

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Transfer of Bound Printed Matter
Parcels to the Competitive Product List

Docket No. MC2021-78

CHAIRMAN'S INFORMATION REQUEST NO. 4

(Issued April 16, 2021)

To clarify the Postal Service's request to transfer Bound Printed Matter Parcels (BPM Parcels) to the competitive product list, filed March 26, 2021,¹ the Postal Service is requested to provide written responses to the following questions. The responses should be provided as soon as they are developed, but no later than April 23, 2021.

1. Please indicate whether the Postal Service plans to seek an above-average price increase for BPM Parcels in the next market dominant rate increase if the proposed transfer has not yet been approved.
2. Please confirm that, if the transfer is approved, the Postal Service intends to maintain the existing 2-9 day service standard for BPM Parcels with the new Parcel Select Bound Printed Matter competitive product.
3. The Postal Service lists several "hybrid" products as competitors to BPM Parcels, stating that the providers of these products "resell BPM Parcel delivery to their customers and...[enter] packages into the mailstream as BPM Parcels." Request at 8-9.
 - a. Please confirm that the Postal Service is asserting that the BPM Parcels product is in competition with its own resellers. If confirmed, please provide a detailed explanation of how the existence of resellers of a

¹ United States Postal Service Request to Transfer Bound Printed Matter Parcels to the Competitive Product List, March 26, 2021 (Request).

product establishes a lack of market power for that product. As part of that explanation, please include specific examples from other industries where the existence of resellers was found to indicate a lack of market power. If not confirmed, please explain.

- b. Please confirm that the Postal Service will continue to be willing to partner with its resellers to provide such hybrid products if the transfer is approved. If not confirmed, please explain the reliance on products that will not exist post-transfer to justify the assertion of a lack of market power.
 - c. If the answer to question 3.b. is confirmed, please also confirm that the increase in the price of BPM Parcels if the transfer is approved is anticipated to be passed along to the resellers' customers in the form of increased prices for the hybrid products. If confirmed, please explain how the existence of a product whose price is tied to the price of BPM Parcels can constrain the ability of the Postal Service to raise prices on BPM Parcels. If not confirmed, please explain.
- 4. The Postal Service identifies UPS Ground and FedEx Ground as competitors to BPM Parcels. *Id.* at 6-7.
 - a. Please discuss whether the content restriction on BPM Parcels that is absent from UPS Ground and FedEx Ground indicates that BPM Parcels operates in a separate market segment from UPS Ground and FedEx Ground.
 - b. The Postal Service states that UPS Ground and FedEx Ground offer additional features not available with BPM Parcels, such as a 5-day delivery guarantee and a higher weight limit. *Id.* at 7. Please provide a detailed explanation regarding why the Postal Service does not consider these additional features to indicate that BPM Parcels operates in a separate market segment from UPS Ground and FedEx Ground.

- c. Please describe in detail any difference in preparation requirements between BPM Parcels, UPS Ground, and FedEx Ground, and discuss whether any such differences in preparation requirements indicate that BPM Parcels operates in a separate market segment from UPS Ground and FedEx Ground.
 - d. Please discuss whether differences in preparation requirements, if any, discussed in the response to question 4.c. affect the Postal Service's assertions that FedEx Ground and UPS Ground are interchangeable with BPM Parcels "in fact" and that any package eligible to be shipped using BPM Parcels could alternatively be sent as UPS Ground or FedEx Ground. *See id.*
 - e. The Postal Service states that the higher prices charged for UPS Ground and FedEx Ground pay, in part, for a much higher weight limit. *Id.* Please confirm that the higher weight limits on UPS Ground and FedEx Ground do not affect the comparison of prices with BPM Parcels on a same-weight basis. If not confirmed, please explain.
5. The Postal Service states that "62.7 percent of BPM Parcels volume in FY 2020 was entered by entities with robust logistics networks that provide for all legs of delivery from origin through last mile." *Id.* at 10. The Postal Service asserts that close to two-thirds of BPM Parcel volume is at risk for immediate diversion should the Postal Service significantly raise prices or significantly degrade service. *Id.* Please provide any data or analyses indicating the price point(s) at which the Postal Service expects that such entities would divert current BPM Parcels to their own networks.
6. The Postal Service states that it "has shown that the mailers of BPM Parcels are overwhelmingly highly sophisticated commercial entities that have alternatives for the delivery of their parcels." *Id.* at 14. The Postal Service has noted, however,

that many of these sophisticated commercial entities are resellers of BPM Parcels. See *id.* at 8-9.

- a. Please discuss whether the views of these resellers' customers should be considered when evaluating the views of the customers of BPM Parcels.
- b. Please provide any information available to the Postal Service regarding the profile of the end users who indirectly purchase the BPM Parcels product through resellers.

By the Chairman.

Michael Kubayanda